

Message Text

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ACTION IO-13

INFO OCT-01 AF-08 EUR-12 ISO-00 AID-05 EB-07 PM-04 NSC-05

SP-02 SS-15 L-03 CIAE-00 INR-07 NSAE-00 COME-00

TRSE-00 OMB-01 ABF-01 /084 W
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FM AMEMBASSY BERLIN

TO SECSTATE WASHDC 2906

INFO AMEMBASSY ABIDJAN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY BELGRADE

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L BERLIN 6287

PLASS ABIDJAN FOR MYERSON, ECOSOC DELEGATION.

3.O. 11652: GDS

TAGS: UNDP, EAID, GE

SUBJECT: UNDP GOVERNING COUNCIL: PROPOSED SOLUTION TO UNDP LIQUIDITY
CRISIS THROUGH PURCHASE OF NON-CONVERTIBLE CURRENCY.

REF: STATE 169133

1. ON JULY 19, EMBOFF PRESENT NON-CONVERTIBLE CURRENCY
PURCHASE PROPOSAL TO DR. HEINZ DEUTSCHLAND, DEPUTY DIRECTOR,
INTERNATIONAL ECONOMIC ORGANIZATIONS SECTION, MFA IN ACCOR-
DANCE WITH REFTEL.

2. DEUTSCHLAND NOTED THAT THIS PROPOSAL HAD BEEN MENTIONED
BY USREP AT RECENTLY CONCLUDED MEETING OF UNDP GOVERNING
COUNCIL IN GENEVA. BEFORE COMMENTING DIRECTLY ON THE
PROPOSAL, DEUTSCHLAND SAID THAT THE GDR BELIEVED THAT THE
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UNDP'S "FINANCIAL" OR "LIQUIDITY" CRISIS WAS NEITHER CAUSED NOR PRINCIPALLY STEMMED FROM THE PROBLEM OF NON-CONVERTIBLE CURRENCY. THE GDR WOULD "RESOLUTELY RESIST" WITH APPROPRIATE ARGUMENTATION ANY SUCH CLAIM. THE CRISIS, HE SAID, STEMMED FROM THE GDR'S VIEW FROM (A) CURRENCY PROBLEMS AFFECTING THE CAPITALISTIC WORLD I.E. DEVALUATION; (B) INFLATION WHICH INCREASED UNDP PROJECT COSTS; (C) EXTREMELY HIGH PERSONNEL COSTS IN UNDP PROJECTS; (D) THE DELINQUENCY OF CERTAIN COUNTRIES IN ACTUALLY PAYING THEIR PLEDGED CONTRIBUTIONS; AND (E) THE FACT THAT TOO MANY UNDP PROGRAMS HAD PRICE TAGS THAT WERE UNREALISTIC WHEN COMPARED WITH UNDP'S TOTAL BUDGET.

3. DEUTSCHLAND SAID THAT THE GDR HAD MADE NUMEROUS PROGRAM PROPOSALS WITHIN THE UNDP FRAMEWORK FOR WHICH THE GDR CURRENCY CONTRIBUTIONS COULD BE USED. THE GDR HAD ONLY MADE THREE CONTRIBUTIONS TO DATE AS IT WAS NOT LONG A MEMBER OF THE UN AND DID NOT CONSIDER NON-CONVERTIBILITY A MAJOR PROBLEM IN ITS OWN CASE.

4. THE GDR HAS PROPOSED NUMEROUS SEMINARS AND STUDY TOURS WHICH WERE "VALUED" BY PARTICIPANTS FROM THE LDCS. THE GDR BELIEVED THAT, WITH THE GOOD WILL OF ALL PARTICIPATING COUNTRIES, CONTRIBUTIONS IN NON-CONVERTIBLE CURRENCIES COULD BE USED UP APPROPRIATELY. DEUTSCHLAND SAID HE WAS OPTIMISTIC AND BELIEVED THERE WOULD BE NO NECESSITY TO IMPLEMENT A US PROPOSAL TO BUY UP GDR CURRENCY IN THE FUTURE.

5. DEUTSCHLAND INDICATED THAT HIS RESPONSE WAS, OF COURSE, NOT NEW TO THE US, HAVING BEEN EXPRESSED AT THE UNDP GOVERNING COUNCIL MEETING RECENTLY CONCLUDED. NEVERTHELESS, HE APPRECIATED THE OPPORTUNITY TO EXPRESS THE GDR VIEW IN EXTENSO AT THIS TIME. COOPER

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*** Current Classification *** CONFIDENTIAL

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